

The Arc of Louisiana  
Baton Rouge, Louisiana

**AUDITED FINANCIAL STATEMENTS**  
June 30, 2014 and 2013



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Arc of Louisiana  
Baton Rouge, Louisiana

### Report on the Financial Statements

We have audited the accompanying statements of financial position of the Arc of Louisiana (a not-for-profit organization) as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Arc of Louisiana as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the Arc of Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arc of Louisiana's internal control over financial reporting and compliance.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
December 19, 2014

The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF FINANCIAL POSITION  
(See Notes to Financial Statements)  
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 316,532	\$ 232,164
Contracts Receivable	170,390	163,744
Due from Foundation	12,360	14,400
Receivables - Other	5,485	4,110
Prepaid Expenses	50	73
TOTAL CURRENT ASSETS	504,817	414,491
BENEFICIAL INTEREST IN THE FOUNDATION	1,450,963	1,369,966
FURNITURE AND EQUIPMENT		
Furniture and Equipment	66,094	66,094
Less: Accumulated Depreciation	(60,094)	(55,734)
Net Furniture and Equipment	6,000	10,360
TOTAL ASSETS	<u>\$ 1,961,780</u>	<u>\$ 1,794,817</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 51,159	\$ 36,780
Deferred Revenues	5,660	-
Other Liabilities	27,275	19,770
TOTAL CURRENT LIABILITIES	84,094	56,550
LONG-TERM LIABILITIES		
Micro-enterprise Revolving Loan Fund	15,715	20,000
TOTAL LONG-TERM LIABILITIES	15,715	20,000
TOTAL LIABILITIES	99,809	76,550
NET ASSETS:		
Unrestricted	642,761	499,057
Permanently Restricted	1,219,210	1,219,210
TOTAL NET ASSETS	1,861,971	1,718,267
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,961,780</u>	<u>\$ 1,794,817</u>



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The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF ACTIVITIES  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2014 and 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Public Support	\$ 42,000	\$ -	\$ -	\$ 42,000
Contract Revenue	1,144,111	-	-	1,144,111
Program Service Revenue	86,237	-	-	86,237
Raffle Ticket Income	-	-	-	-
Interest Income	69	-	-	69
Change in Net Assets of the Foundation	80,997	-	-	80,997
Miscellaneous	4,707	-	-	4,707
<b>Total Support and Revenue</b>	<b>1,358,121</b>	<b>-</b>	<b>-</b>	<b>1,358,121</b>
<b>Net Assets Released From Restrictions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Unrestricted Revenues and Support</b>	<b>1,358,121</b>	<b>-</b>	<b>-</b>	<b>1,358,121</b>
<b>EXPENSES</b>				
Program Services	1,098,966	-	-	1,098,966
Management and General	115,451	-	-	115,451
Fundraising	-	-	-	-
<b>Total Expenses</b>	<b>1,214,417</b>	<b>-</b>	<b>-</b>	<b>1,214,417</b>
<b>Changes in Net Assets</b>	<b>143,704</b>	<b>-</b>	<b>-</b>	<b>143,704</b>
<b>Net Assets - Beginning of Year</b>	<b>499,057</b>	<b>-</b>	<b>1,219,210</b>	<b>1,718,267</b>
<b>Net Assets - End of Year</b>	<b>\$ 642,761</b>	<b>\$ -</b>	<b>\$ 1,219,210</b>	<b>\$ 1,861,971</b>

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 42,040	\$ -	\$ -	\$ 42,040
866,622	-	-	866,622
93,394	-	-	93,394
3,818	-	-	3,818
45	-	-	45
(8,568)	-	-	(8,568)
5,452	-	-	5,452
1,002,803	-	-	1,002,803
-	-	-	-
1,002,803	-	-	1,002,803
836,837	-	-	836,837
119,699	-	-	119,699
415	-	-	415
956,951	-	-	956,951
45,852	-	-	45,852
453,205	-	1,219,210	1,672,415
<u>\$ 499,057</u>	<u>\$ -</u>	<u>\$ 1,219,210</u>	<u>\$ 1,718,267</u>

The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF FUNCTIONAL EXPENSES  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2014 and 2013

	2014			
	Program Services	Management and General	Fundraising	Total
<b>EXPENSES</b>				
Conventions	\$ 1,354	\$ 3,437	\$ -	\$ 4,791
Depreciation and Amortization	3,357	1,003	-	4,360
Direct Program Services	793,892	-	-	793,892
Dues and Subscriptions	15	7,682	-	7,697
Employee Benefits	20,216	6,038	-	26,254
Insurance Expense	426	651	-	1,077
Janitorial Services	858	368	-	1,226
Meetings	-	3,202	-	3,202
Miscellaneous	234	1,776	-	2,010
Payroll Taxes	13,251	3,958	-	17,209
Postage	941	360	-	1,301
Professional Services	42,415	11,287	-	53,702
Raffle Ticket Expense	-	-	-	-
Rental Expense	31,287	13,409	-	44,696
Repairs and Maintenance	3,891	1,888	-	5,779
Salaries	166,682	49,788	-	216,470
Supplies and Printing	2,429	1,455	-	3,884
Telephone	4,447	2,817	-	7,264
Training	193	350	-	543
Travel	7,728	3,720	-	11,448
Utilities	5,350	2,262	-	7,612
	<u>\$ 1,098,966</u>	<u>\$ 115,451</u>	<u>\$ -</u>	<u>\$ 1,214,417</u>



2013

Program Services	Management and General	Fundraising	Total
\$ 6,113	\$ 4,668	\$ -	\$ 10,781
3,211	1,071	-	4,282
516,397	-	-	516,397
20	7,277	-	7,297
22,882	6,835	-	29,717
242	442	-	684
700	300	-	1,000
-	2,285	-	2,285
800	2,728	-	3,528
14,106	4,213	-	18,319
943	311	-	1,254
38,125	10,815	-	48,940
-	-	415	415
30,751	13,179	-	43,930
4,075	3,983	-	8,058
159,391	47,611	-	207,002
4,105	1,075	-	5,180
6,186	3,108	-	9,294
15,793	-	-	15,793
8,391	7,825	-	16,216
4,606	1,973	-	6,579
<u>\$ 836,837</u>	<u>\$ 119,699</u>	<u>\$ 415</u>	<u>\$ 956,951</u>

The ARC of Louisiana  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS  
(See Notes to Financial Statements)  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 143,704	\$ 45,852
Adjustments to Reconcile Increase in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	4,360	4,282
Change in Beneficial Interest of Foundation	(80,997)	8,568
(Increase) Decrease in Operating Assets:		
Contracts Receivable	(6,646)	21,598
Due (from) to the Foundation	2,040	(14,400)
Receivable - Other	(1,375)	(3,525)
Prepaid Insurance	23	(73)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Other Accrued Liabilities	21,884	(14,057)
Deferred Revenues	5,660	-
Net Cash Provided by Operating Activities	<u>88,653</u>	<u>48,245</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Micro-enterprise Loans Given	(4,285)	-
Purchases of Furniture and Equipment	-	(1,336)
Net Cash Used in Investing Activities	<u>(4,285)</u>	<u>(1,336)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>84,368</b>	<b>46,909</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b><u>232,164</u></b>	<b><u>185,255</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 316,532</u></b>	<b><u>\$ 232,164</u></b>

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS -1-  
June 30, 2014 and 2013

NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Arc of Louisiana (the Organization) is an organization of and for people with mental retardation and related developmental disabilities and their families. The Organization is devoted to promoting and improving support and services for people with mental retardation and related disabilities and their families.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

The financial statement presentation complies with the FASB Accounting Standards Codification regarding Financial Statements of Not-for-Profit Organizations. Under the standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily restricted net assets as of June 30, 2014 and 2013, and the majority of the beneficial interest in the Foundation is permanently restricted as of June 30, 2014 and 2013.

Contributions - The Organization complies with FASB Accounting Standards Codification regarding Accounting for Contributions Received and Contributions Made. Under the standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contract Revenue Recognition - Contracts receivable represents amounts owed to the Organization for costs incurred under various contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contracts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established as of June 30, 2014 and 2013.

Furniture and Equipment - Furniture and equipment are stated at cost. Depreciation of furniture and equipment is based upon the estimated useful lives of the assets, which range from 3 to 7 years, using the straight line method.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with maturities of three months or less at the date of acquisition to be "cash equivalents".

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS -2-  
June 30, 2014 and 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes – The Foundation has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been made; however, if the Organization should engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization has no unrelated business income for the fiscal years ended June 30, 2014 and 2013.

On July 1, 2009, the Organization adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization's administration recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization's administration has evaluated its position regarding the accounting for uncertain income tax positions. The Organization's administration does not believe that it has any uncertain tax positions. With few exceptions, the Organization is no longer subject to federal, state, or local tax examinations by tax authorities for years before 2011.

Membership Dues – The Organization receives membership dues from 19 Arc chapters throughout Louisiana. These dues are recognized as revenue in the applicable membership period.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Functional Allocation of Expenses – The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs benefited and the supporting services.

NOTE 2: DONATED SERVICES

A significant portion of the Organization's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

NOTE 3: RELATED PARTY TRANSACTIONS

The Arc of Louisiana and the Arc of Louisiana Foundation (the Foundation) are affiliated organizations. Some board members of the Arc of Louisiana also serve on the board of the Foundation. The Foundation owns the facility in which organizations share office space and accounting personnel. The Arc of Louisiana paid rent in the amount of \$36,000 to the Foundation for each of the years ended June 30, 2014 and 2013. There is no lease on the facility as the organizations periodically determine an agreed upon annual rent.

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS -3-  
June 30, 2014 and 2013

NOTE 3: RELATED PARTY TRANSACTIONS (CONTINUED)

In addition, The Arc of Louisiana and the Foundation share the costs of some joint activities. The types of expenses that are incurred by both organizations include salaries, payroll taxes, insurance, office supplies, telephone, postage, and printing. The organizations allocate expenses based on actual costs and an estimate of usage. The Arc of Louisiana recognized \$6,000 of income from the Foundation for these joint costs for each of the years ended June 30, 2014 and 2013.

The Arc of Louisiana recorded donations from the Foundation of \$36,000 for each of the years ended June 30, 2014 and 2013.

At June 30, 2014, the Arc of Louisiana has a receivable from the Foundation of \$12,360, including \$360 of direct expense reimbursements. The Arc of Louisiana paid for \$7,579 in primarily insurance, audit, and maintenance and repair expenses for the Foundation. The Arc received payments during 2014 of \$7,219 and \$8,400 representing expenses from the Foundation for June 30, 2014 and 2013 expenses, respectively.

NOTE 4: BENEFICIAL INTEREST IN THE ARC OF LOUISIANA FOUNDATION

Due to the adoption of the FASB Accounting Standards Codification regarding Transfers of Assets to a Not-for-Profit Organization that Raises or Holds Contributions for Others, the net assets of the Arc of Louisiana Foundation (the Foundation) are treated as a beneficial interest asset on the Organization's financial statements. The effect of FASB Accounting Standards Codification 958 was for the Organization to recognize a beneficial interest in the net assets of the Foundation, similar to the equity method of accounting. As of June 30, 2014 and 2013, the beneficial interest in the Foundation was \$1,450,963 and \$1,369,966, respectively. Of that amount, \$1,219,210 is permanently restricted for each year based on the terms of an endowment received by the Foundation.

NOTE 5: LEASES

The Organization committed to a lease for a copier in September 2011 for 60 months. Future minimum lease payments consist of the following as of June 30, 2014:

2015	\$ 5,400
2016	5,400
2017	1,350
Total	<u>\$ 12,150</u>

NOTE 6: PENSION CONTRIBUTION

The Organization offers its employee to enroll in a 403(b) plan. This tax deferred annuity plan allows employees, at their option, to make contributions using payroll deductions. The Organization contributes 6% of the employee's eligible compensation. Employer contributions made for the years ended June 30, 2014 and 2013 were \$10,511 and \$10,340, respectively.

THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS -4-  
June 30, 2014 and 2013

NOTE 7: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in one financial institution located in Baton Rouge, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014, the Organization's uninsured cash balances total approximately \$107,808.

NOTE 8: RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2014, the date the financial statements were available to be issued, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.



CPAs & Financial Advisors

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
The ARC of Louisiana  
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The ARC of Louisiana (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Arc of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arc of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arc of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of The Arc of Louisiana in a separate letter dated December 19, 2014.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

TWRU

CPAs & Financial Advisors  
Baton Rouge, Louisiana  
December 19, 2014



TWRU  
CPAs & Financial Advisors



THE ARC OF LOUISIANA  
(A NOT-FOR-PROFIT ORGANIZATION)  
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2014

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Arc of Louisiana
2. Current Year Findings – None
3. No instances of noncompliance material to the financial statements of the Arc of Louisiana were disclosed during the audit.

THE ARC OF LOUISIANA  
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Baton Rouge, Louisiana

SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2013

MANAGEMENT LETTER COMMENTS AND AUDIT FINDINGS

A. SIGNIFICANT DEFICIENCIES

None

B. MANAGEMENT LETTER COMMENTS

The Arc of Louisiana addressed the prior year management letter comment regarding accrued paid time off and that issue has been resolved in the current year.



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December 19, 2014

To the Board of Directors and Kelly Serrett, Executive Director  
The Arc of Louisiana

We have audited the financial statements of The Arc of Louisiana for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 10, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Arc of Louisiana are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives of fixed assets is based on IRS standard lives. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 19, 2014.

*Other Information in Documents Containing Audited Financial Statements*

This information is intended solely for the use of the Board of Directors, management of The Arc of Louisiana and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

TWRU

TWRU CPAs & Financial Advisors

## **AUDIT RECOMMENDATIONS**

### **Cash in Excess of Federally Insured Limits-**

**Finding:** During our audit, we noted the Organization had cash on deposit in excess of federally insured limits of \$250,000 in a financial institution. This presents a potential for losses to the Organization in the event of bank failure. We suggest management closely monitor cash balances and consider opening up an account with another banking institution and transfer excess balances to that bank, where possible, to reduce the potential for loss of monetary amounts in excess of the federally insured level.

**Management Response:** Management of the Organization agrees with this finding and is currently in the process of opening an account in a separate financial institution.